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UNITED STATES DEPARTMENT OF AGRICULTURE
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THE TOBACCO PRICE SITUATION, AUGUST 1930

FLUE-CURED

Prices in Georgia

During the first week of the marketing season in Georgia prices averaged 10.58 cents per pound compared with about 19 cents last season. The quality of the crop is below that of 1929 but for the same grades prices were between 25 and 30 per cent below those of last season. Prices improved slightly during the second week but were still fully 20 per cent below those for the same grades last season. During the first week of the marketing season in South Carolina prices were about in line with those prevailing during the second week in Georgia.

Supply situation

The total acreage of flue-cured types is 3.5 per cent larger than in 1929. The production indicated on August 1 is 758.7 million pounds, compared with a crop of 750.7 million pounds in 1929. Yields per acre materially below those of last year are indicated in Virginia and slightly below last year in Georgia, while yields slightly higher than last year are indicated in South Carolina. In the remainder of the belt the yields indicated by August 1 crop conditions are not greatly different from those of last year.

The stocks of old leaf in the hands of dealers and manufacturers on July 1, 1930 were 599.3 million pounds compared with 590 million pounds a year earlier. The total supply this season based on August 1 crop conditions and stocks on July 1 is 1358.0 million pounds compared with 1340.7 million pounds in 1929 and 1305.8 million pounds in 1928.

Since 1916 the consumption of flue-cured tobacco has increased at an average rate of about 33 million pounds a year. Allowing for this increase in consumption the number of months supply this season is slightly less than that at the beginning of either of the two previous seasons. In 1928 the season's average price was 17.7 cents per pound and in 1929 it was 18.1 cents per pound.

Domestic demand

During the past five years the increase in the quantity of flue-cured tobacco used in making cigarettes has more than offset the decrease in the quantity used in making chewing and smoking tobacco. The net increase in domestic consumption during this period has averaged almost 5 per cent per year. During the year ended June 30, 1930 the increase was

about 3 per cent. Cigarette tax sales maintained about the usual rate of growth from July to December 1929, being 9 per cent larger than for the corresponding period of the previous year, were about the same as the previous year during the first five months of 1930 and in June 1930 were 8 per cent larger than the previous year. The total cigarette tax sales for the 12-month period were 5.2 per cent larger than the previous year compared with an increase of 13.3 per cent for the year ended June 30, 1929 and an increase of 8.2 per cent for the previous year. It may be that unfavorable business conditions affected consumption during the early part of 1930 or it may turn out that cigarette consumption is increasing at a slightly slower rate. In either case present indications are that the domestic consumption of this type of tobacco during the current year will exceed that of the year just closed.

Foreign demand

Exports of flue-cured tobacco during the year ended June 30, 1930 were 429.9 million pounds compared with 414.4 million pounds in 1929 and 328.9 million pounds the previous year. The United Kingdom and China are the principal importing countries.

There has been some uncertainty as to the effect of low exchange rate and unsettled conditions in China. However, exports to China during the past few months have exceeded those of the corresponding period of the previous year and recent reports indicate that the cigarette trade in China is active. The total exports to China during the year just ended were 127.1 million pounds compared with 131.3 million pounds, the exceptionally large total of the previous year.

Exports to the United Kingdom during the year ended June 30, 1930 were 186.6 million pounds compared with 171.4 million pounds the previous year. Stocks in the three ports of entry (London, Liverpool and Glasgow) are slightly larger than a year ago. However the exports of flue-cured tobacco to the United Kingdom have increased rapidly in recent years and under these conditions a small increase in stocks at the ports of entry does not necessarily mean unfavorable market conditions. Colonial grown flue-cured tobacco does not appear to be making much headway in displacing American grown types and exports to the United Kingdom this season are expected to compare favorably with those of the past two seasons.

Prices for the remainder of the season

In view of the fact that the present indicated supply is slightly smaller, when measured by the disappearance of the previous year, than the supply of the past two seasons, and the further fact that prices at present are about 20 per cent under those of last season, grade considered, some improvement in prices appears probable as the season advances unless the crop turns out to be materially larger than is indicated by the August 1 conditions. In 1921 the marketing season opened when the business recession was at its low point and the price improved materially as the season advanced. The season's average in Georgia in 1921 was about 12 cents per pound, and the season's average in Virginia was about 23 cents per pound. The improvement in prices is not expected to be so marked this season unless the crop turns out to be materially less than is now indicated. Should the prices of the first two weeks of the marketing season prevail through the season and farmers react to prices and other factors in planting as in other recent years the acreage in 1931 would be materially reduced.